

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET-DOMINANT PRICE CHANGE

Docket No. R2022-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 2- 5 OF CHAIRMAN'S INFORMATION REQUEST NO. 1**
(April 15, 2022)

The United States Postal Service hereby provides its responses to Questions 2 - 5 of Chairman's Information Request No. 1, issued on April 8, 2022. Each question is stated verbatim and is followed by its response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Jacob Howley
Acting Chief Counsel, Pricing & Product
Support

Nickolas S. Card
Michael Gross
Valerie J. Pelton

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1101
Michael.I.Gross@usps.gov
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USPS Marketing Mail

2. As required by the Commission in the FY 2010 Annual Compliance Determination,⁴ please provide:
 - a. A schedule of future above-consumer price index price increases for USPS Marketing Mail Flats;
 - b. An explanation of how the proposed prices will move the USPS Marketing Mail Flats cost coverage toward 100 percent; and
 - c. A statement estimating the effect that the proposed prices will have in reducing the subsidy of the USPS Marketing Mail Flats product.

RESPONSE:

- a. In Order No. 5937 (at pages 95–96), the Commission opined that these directives from FY 2010 Annual Compliance Determination are not superseded by the subsequent adoption of mandates for price adjustments of 2 percentage points above the class-average price adjustment. The Commission reasoned that the Postal Service retains discretion to employ an even greater differential, in which light inquiring about plans about the use of that discretion is fair game.

That reasoning may make sense on a technical level, but the directive remains impracticable to fulfill. Discretion to approve price adjustments rests with the Postal Service Governors, whose responsibility to adopt reasonable and equitable prices entails accounting for circumstances that may exist at the time of a price adjustment. The Postal Service is not in a position to predict such future circumstances, let alone to set expectations about future price adjustments that have not yet been decided by the Governors. Therefore, beyond the obvious obligation to comply with Rule 3030.221, the Postal Service is not in a position to

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comment on any future price adjustments beyond the one at issue in this proceeding.

- b.–c. It is expected that price increases that comply with Rule 3030.221 will both move USPS Marketing Mail Flats cost coverage closer to 100 percent and reduce intra-class subsidies, as those expectations were the very rationale for the Commission's adoption of that rule. Order No. 5763 at 186–87; Order No. 5337 at 157–61; Order No. 4258 at 78–80. It stands to reason that if the Commission deemed a 2-percentage-point differential adequate to meeting those expectations, any greater differential employed by the Postal Service would go still farther toward fulfilling the Commission's aims.

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Periodicals

3. In Library Reference USPS-LR-R2022-1/3, file "Preface Periodicals.pdf," the Postal Service states that "[i]n order to calculate the change in prices for Science of Agriculture Pounds for Zones 3-9, the Postal Service separated Science of Agriculture Pounds from Regular Advertising pounds in the billing determina[nts] for FY21 Q2 through FY22Q1."⁵ Please provide the inputs and calculations used to move 470,276 advertising pounds from Regular Zones 3-9 to Science of Agriculture Zones 3-9.

RESPONSE:

The table in the attached file, R2022-1_ChIR_1_Q3.xlsx, shows advertising pounds for zones 3 to 9 for FY 2021 Q2 through FY 2022 Q1 separated out by Regular Rate and Science of Agriculture, identifies the inputs, and accounts for the 470,276 pounds in question. Column M is a cross check, showing the data matches column G of CAPCALC file, tab: "Regular Rate BD FY21Q2-FY22Q1."

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Special Services

4. In Docket No. R2017-7, the Postal Service generated 1.585 percent in banked rate adjustment authority for the Special Services class.⁶ Previous banked rate adjustment authority was 0.067 percent and total banked rate adjustment authority was 1.652 percent. See *id.* Subtracting the previous banked rate adjustment authority from the total banked rate adjustment authority resulted in 1.585 percent in new banked rate adjustment authority for Special Services in that proceeding. Pursuant to 39 C.F.R. § 3030.245(f), banked rate adjustment authority lapses 5 years from the date of the rate adjustment filing leading to its calculation. The Postal Service submitted the original notice for Docket No. R2017-7 on June 30, 2017.⁷ The Commission tolled the filing date for Postal Service's notice to July 20, 2017.⁸ Therefore, the 1.585 percent in banked rate adjustment authority for Special Services expires on July 20, 2022.
- a. Please confirm that the Postal Service used the following portions of the 1.585 percent in banked rate adjustment authority for Special Services: 1.481 percent in Docket No. R2018-1, 0.093 percent in Docket No. R2019-1, 0.004 in Docket No. R2020-1, and 0.002 percent in Docket No. R2021-2. If not confirmed, please explain.
- b. Please confirm that the remaining banked rate adjustment authority for Special Services from Docket No. R2017-7 is 0.005 percent and expires on July 20, 2022. If not confirmed, please explain.
- c. In Docket No. R2022-1, Table 5 of the Notice lists the banked rate adjustment authority for Special Services available after this proceeding as 0.066 percent. Notice at 5. Please confirm that the banked rate adjustment authority for Special Services will become 0.061 percent after July 20, 2022. If not confirmed, please explain.

RESPONSE:

- a. Confirmed.
- b. Confirmed, except that Rule 3030.245 would suggest that the expiration date is June 30, 2022.
- c. Confirmed, except that Rule 3030.245 would suggest that the banked rate adjustment authority will become 0.061 percent after June 30, 2022.

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Compliance with 39 C.F.R. Part 3030

5. 39 C.F.R. § 3030.123(c) requires that the Postal Service provide the banked rate adjustment authority, by class, that was available “for each of the preceding 5 years calculated as required by subpart H [of 39 C.F.R. part 3030].” 39 C.F.R. § 3030.123(c). Please provide this information. In the response, please include the Docket No. in which *any new* banked rate adjustment authority was generated as well as the *new* banked rate adjustment authority’s expiration date.

RESPONSE:

The attached spreadsheet, “PriceCaseCapHistory.xlsx,” contains the banked rate authority, by class, that was available for each of the preceding 5 years. The first two worksheets in the spreadsheet (“Banked Rate” and “MailClass Cap Authority History” show the overall banked rate authority for each class of mail as of each filing affecting that class. The final five spreadsheets show the Docket No. in which any new banked rate adjustment authority was generated based on the first-in, first out method required by 39 C.F.R. § 3030.245(e).

The following table shows the new banked rate authority’s expiration date, based on the Docket No. in which the banked rate authority was generated. In conjunction with the attached spreadsheet, this allows banked authority generated in each Docket No. to be checked according to expiration date. The expiration date for rate authority generated by each price case detailed in the spreadsheet is as follows:

Rate Case that Generated Banked Rate Authority	Expiration Date of Generated Banked Rate Authority
R2015-4	1/15/2020
R2016-5	5/16/2021
R2017-1	10/12/2021
R2017-7	6/30/2022
R2018-1	10/6/2022
R2019-1	10/10/2023
R2020-1	10/9/2024

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R2021-1	10/9/2025
R2021-2	5/28/2026
R2022-1	4/6/2027